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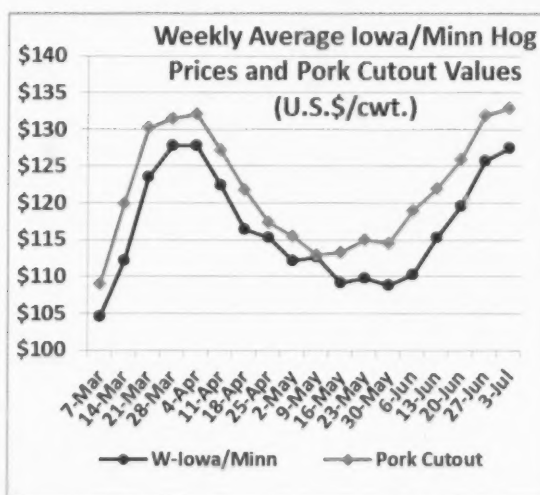
## Weekly Hog Report

July 7, 2014

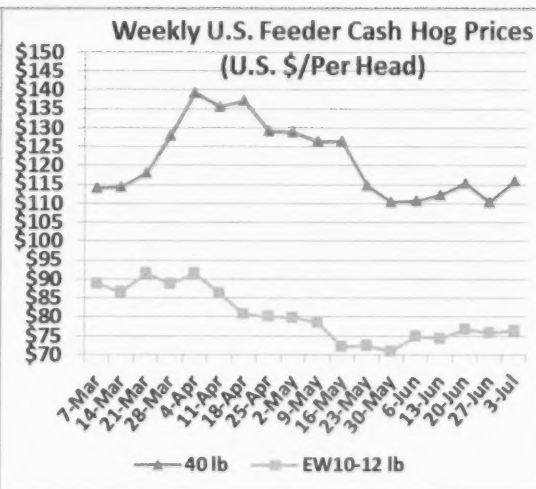
There have been no new cases of **Porcine Epidemic Diarrhea (PED)** identified in hog barns in Canada since June 13, 2014. There are currently 62 cases confirmed in hog barns in Ontario, two in Manitoba, one in PEI, and also one in Quebec for a total of 66 PED cases confirmed in hog barns in Canada.

### Cash Feeder Hog Prices

Last week North American (Iowa) iso-wean (10-12lb) cash hog prices and feeder (40lb) cash hog prices were higher. Weighted average cash prices for iso-weans (12lb) were US\$76.60 per head, up US\$0.73 per head from US\$75.87 per head the previous week. Feeders (40lb) were US\$115.83 per head, up US\$5.65 per head from US\$110.18 per head the previous week. Feeder prices have been overall flat or steady in June.



Source: LMIC



Source: LMIC

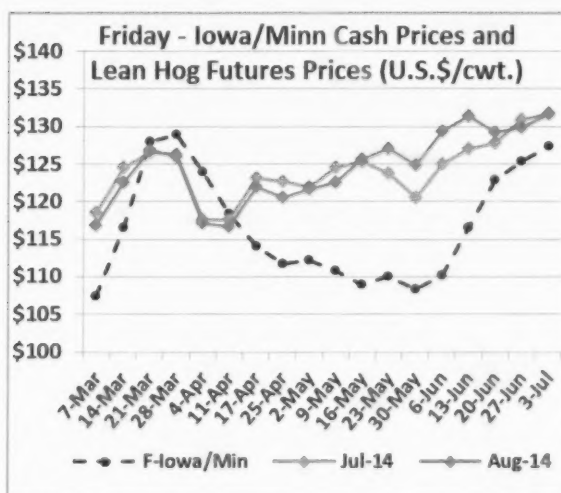
### Cash Slaughter Weight Hog Prices

United States daily average cash hog prices fluctuated over the week but ended the week higher, week-over-week. Daily average hog prices ranged between US\$126.70 cwt and US\$128.59 per cwt. Hog prices (Iowa/Minn) on Thursday averaged US\$127.40 per cwt, up US\$2.15 per cwt or 1.7 per cent from US\$125.25 per cwt the previous Friday. Hog prices have increased by over US\$18 per cwt since May 30. The negotiated base price for the week averaged US\$127.37 per cwt, up US\$1.64 per cwt or 1.3 per cent from US\$125.73 per cwt the previous week. Record pork cutout values over the week which have increased by over US\$18 per cwt since May 30, helped push hog prices higher.

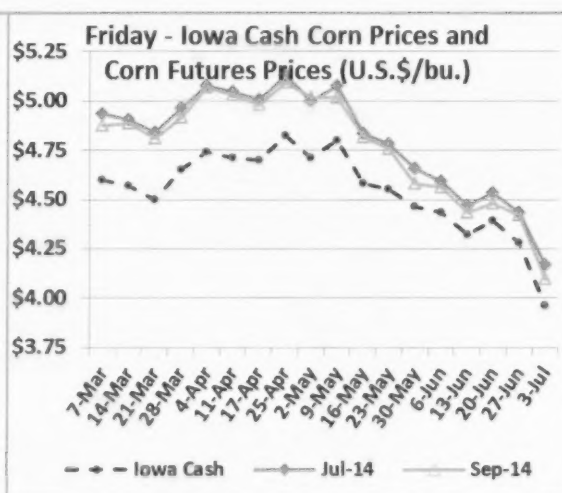
In Canada, the Signature#3 (Maple Leaf) Index 100 daily price for Friday July 4, 2014 was \$248.08 per ckg, up \$1.85 per ckg or 0.7 per cent from \$246.23 per ckg the previous Friday. Signature#3 weekly prices (Friday to Thursday) averaged \$246.52 per ckg, up \$0.99 per ckg or 0.4 per cent from the previous weeks' average price of \$245.53 per ckg. The Canadian dollar edged higher last week closing the week Friday at 93.84 cents, up slightly from the previous Friday's close of 93.78 cents.

### Futures Markets

Lean hog futures prices were higher last week with the nearby July contract up US\$0.825 per cwt to settle Thursday at US\$131.725 per cwt while the August contract increased US\$1.780 per cwt to settle Thursday at US\$131.600 per cwt. Nearby futures have rallied the last few weeks on continued hog supply concerns from PEDv and a bullish *June Hogs and Pigs Report*. The Friday Iowa/Minn average daily cash price was US\$127.10 per cwt, US\$4.325 per cwt lower than the July's lean hog futures price.



Source: CME



Source: CME

Iowa cash corn prices and the nearby corn futures were significantly lower last week, likely from more favorable U.S. planting and moisture results. The Iowa cash price on Thursday was US\$3.96 per bushel, down almost 32 cents from US\$4.28 per bushel the previous Friday. The July corn futures contract was down 26 cents to settle Thursday at US\$4.17 per bushel while the September contract was down almost 33 cents to settle Thursday at \$4.09½ per bushel.

### Hogs Slaughtered

U.S. hogs slaughtered under federal inspection last week for the shorter Independence Day holiday week ending July 4 were estimated at 1.627 million head, down 14.8 per cent from 1.910 million head the previous week, and down 8.8 per cent from 1.784 million head from the same week a year ago. U.S. hogs slaughtered over the last four weeks ending July 5 averaged 1.834 million head, down 5.1 per cent from 1.933 million head the same four week period a year ago. Total hogs slaughtered from the first week in January 2014 have averaged about 2.014 million head per week, down about 3.5 per cent compared to 2.087 million head over the same period a year ago.

In Canada, federal and provincial hog slaughter numbers for the week ending June 28, 2014 were estimated at 358,693 head, down 6.2 per cent from 382,409 head the previous week, and down 0.6 per cent from 360,790 head the same week a year ago. Canadian hogs slaughtered over the last four weeks ending June 28 were estimated to average 380,697 head, up slightly from 379,757 head over the same period a year ago.

### **Meat Production**

U.S. pork production for the shorter week ending July 5 was estimated at 349.6 million lb., down 15.0 per cent from 411.5 million lb. the previous week, and down 3.5 per cent from 362.2 million lb. the same week a year ago. U.S. pork production over the last eight weeks ending July 5 averaged 402.8 lb., up 3.1 per cent from 390.4 lb. over the same eight weeks a year ago. Dressed hog weights were about 12 lb. or 5.9 per cent heavier compared to the same week a year ago.

U.S. beef production for the shorter week ending July 5 was estimated at 390.2 million lb., down 19.9 per cent from 487.0 million lb. the previous week, and down 11.8 per cent from 442.5 million lb. over the same week a year ago.

Combined production of U.S. pork, beef, chicken and turkey over the four weeks ending June 28, 2014, was estimated at 1.944 billion lb., down 1.6 per cent from 1.976 billion lb. over the same four weeks a year ago, and down 1.7 per cent year-to-date.

### **United States Weekly Meat Production**

| (June 28) Four Week Average - Million Lb. |                |                | Percent Change |              |
|---|----------------|----------------|----------------|--------------|
|   | 2013           | 2014           | 4wk. 2014      | YTD 2014     |
| Pork                                      | 407.0          | 410.5          | 0.9%           | 0.2%         |
| Beef                                      | 515.3          | 486.4          | -5.6%          | -4.8%        |
| Chicken                                   | 915.0          | 910.2          | -0.5%          | -0.5%        |
| Turkey                                    | 139.2          | 136.8          | -1.7%          | -4.8%        |
| <b>Total</b>                              | <b>1,976.4</b> | <b>1,944.0</b> | <b>-1.6%</b>   | <b>-1.7%</b> |

Source: LMIC

### **Cutout Values**

The U.S. pork cutout values for the week ending July 5, 2014 averaged US\$132.88 per cwt, up US\$0.93 per cwt or 0.7 per cent from US\$131.95 per cwt from the previous week, and up 24.4 per cent from US\$106.85 per cwt the same week a year ago. Pork cutout values established new all-time record high prices last week.

Average beef cutout values (Choice 600-900 lb.) for the week ending July 5 averaged US\$247.80 per cwt, up US\$3.41 per cwt or 1.4 per cent from US\$244.39 per cwt from the previous week, and up 25.8 per cent from US\$196.95 per cwt the same week a year ago. Beef cutout values also established new all-time record high prices last week.

### USDA Hogs and Pigs Report

USDA released the June *Hogs and Pigs Report* on June 27. Total U.S. hog inventory numbers as of June 1, 2014, was estimated at 62.128 million head, down 4.6 per cent from 65.088 million head on June 1, 2013, and down 0.6 per cent from 62.489 million head as of March 1, 2014. (Source: USDA) Total inventory reductions were larger than the average 3.0 per cent reduction estimated by the trade analysts. The March 2014 and December 2013 inventory numbers were also revised lower from previous estimates.

Breeding herd inventory numbers in the United States as of June 1, 2014, was estimated at 5.855 million head, down a surprising 0.5 per cent from June 1, 2013, and up slightly from March 1, 2014. Trade analysts had actually estimated for a 1.6 per cent annual increase in the breeding herd, year-over-year. Analysts had expected producers would breed more sows due to high profitability and to help combat PEDv production losses.

#### United States Hog Inventory Numbers, (1,000 head)

|                   | Jun-13 | Sep-13 | Dec-13 | Mar-14 | Jun-14 | Mar.-June | Y/Y(June) |
|-------------------|--------|--------|--------|--------|--------|-----------|-----------|
| All Hogs & Pigs   | 65,088 | 66,906 | 64,775 | 62,489 | 62,128 | -0.58%    | -4.55%    |
| Kept for breeding | 5,884  | 5,816  | 5,757  | 5,851  | 5,855  | 0.07%     | -0.49%    |
| Market            | 59,304 | 61,090 | 59,018 | 56,638 | 56,273 | -0.64%    | -5.11%    |
| Market Hogs       |        |        |        |        |        |           |           |
| Under 50 lbs      | 19,135 | 19,824 | 18,389 | 18,101 | 17,999 | -0.56%    | -5.94%    |
| 50-119 lbs        | 17,078 | 17,958 | 16,080 | 15,717 | 16,071 | 2.25%     | -5.90%    |
| 120-179 lbs       | 12,414 | 12,584 | 12,576 | 12,538 | 11,931 | -4.84%    | -3.89%    |
| 180 lbs & Over    | 10,678 | 10,725 | 11,972 | 10,281 | 10,271 | -0.10%    | -3.81%    |

Source: June 27, 2014 USDA Hogs & Pigs Report

Market herd inventory numbers in the United States as of June 1, 2014, was estimated at 56.273 million head, down 5.1 per cent from 59.304 million head on June 1, 2013, and down 0.6 per cent from 56.638 million head from March 1, 2014. Trade analysts were estimating market inventory numbers to decline by only 3.4 per cent, year-over-year. The decline was larger than the current average analyst estimates.

Sow farrowing numbers over the March-to-May 2014 period totaled 2.797 million head, up 2.8 per cent from 2.806 million head over the same period in 2013. This was higher than the average trade estimates of a 2.5 per cent increase. The U.S. sow farrowing numbers for the June-to-August 2014 period are estimated to increase slightly to 2.893 million head from 2.890 million head the same period a year ago. Farrowing intentions for the June-August 2014 period were surprisingly decreased from the March report. Third quarter estimates were decreased by almost 2.3 per cent from the March report. Producers are likely finding it challenging dealing with the PEDv and breeding when the herd gets a PED out-break.

The United States pig crop for the March-to-May 2014 period totaled 27.361 million head, down 5.4 per cent from 28.921 million head over the same period in 2013. The decline was larger than the expected average trade estimates of about a 2.3 per cent decline in the second quarter pig crop. Sow productivity declined 5.1 per cent to 9.78 pigs per litter for the March-to-May 2014 period, down from 10.31 pigs per litter from the

same quarter in 2013. The declines were due to losses from the PEDv and will likely continue in the third quarter.

### United States, Sows Farrowing and Intentions, Pigs Born

| Quarterly Sows Farrowing and Intentions |               |               |           | Quarterly Pigs Born |                |        |
|---|---------------|---------------|-----------|---------------------|----------------|--------|
| Thousand Head                           |               |               |           | Thousand Head       |                |        |
| Quarter                                 | 2012          | 2013          | 2014      | 2012                | 2013           | 2014   |
| Dec - Feb (1)                           | 2,813         | 2,788         | 2,867     | 28,038              | 28,099         | 27,316 |
| Mar - May                               | 2,952         | 2,806         | 2,797     | 29,780              | 28,921         | 27,361 |
| June - Aug                              | 2,928         | 2,890         | 2,893 (2) | 29,654              | 29,862         |        |
| Sept - Nov                              | 2,888         | 2,780         | 2,880 (2) | 29,319              | 28,253         |        |
| <b>TOTAL</b>                            | <b>11,581</b> | <b>11,264</b> |           | <b>116,791</b>      | <b>115,135</b> |        |

(1) December preceeding year.

(2) Farrowing Intentions.

Source: USDA Hogs and Pigs Report, June 27, 2014

The USDA's June *Hogs and Pigs Inventory Report* came in overall bullish with lower market hog inventory numbers and breeding hog inventory numbers compared to the average trade estimates. The uncertainty around calculating PEDv losses and future hog marketing declines creates big challenges to estimating production and hog prices. With production variations between analysts and USDA, there is a lot of uncertainty around production numbers moving forward. Heavier hog weights have so far maintained pork production year-to-date, while weekly hog slaughter have declined significantly.

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